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THOMAS WEISEL PARTNERS LLC and
THOMAS WEISEL INTERNATIONAL
PRIVATE LIMITED

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

THOMAS WEISEL PARTNERS LLC, a Delaware limited liability company, and THOMAS WEISEL INTERNATIONAL PRIVATE LIMITED, an Indian company.

Plaintiffs,

V.

BNP PARIBAS, a French corporation, BNP PARIBAS SECURITIES (ASIA) LIMITED, a Hong Kong company, and PRAVEEN CHAKRAVARTY, an individual

Defendants

No. C-07-6198 MHP

Action Filed: December 6, 2007

**DECLARATION OF KARANVEER
DHILLON IN SUPPORT OF
PLAINTIFFS' CONSOLIDATED
OPPOSITION TO DEFENDANTS'
MOTIONS TO DISMISS THE FIRST
AMENDED COMPLAINT**

Date: August 18, 2008
Time: 2:00 p.m.
Place: Courtroom 15
Judge: Hon. Marilyn Hall Patel

REDACTED

1 I, Karanveer Dhillon, declare:

2 1. I am the Managing Director of Plaintiff Thomas Weisel International Private
3 Limited ("TWIPL"), and a Managing Director of Thomas Weisel Partners Group, Inc.
4 ("TWP Group"). I participated in the conception and formation of both TWIPL and the
5 Discovery Research initiative, and I am familiar with all aspects of those businesses. I
6 frequently consulted with the management and staff of Plaintiff Thomas Weisel Partners,
7 LLC ("TWP LLC") in connection with strategic decisions concerning TWIPL and
8 Discovery Research. At times I also helped manage the day-to-day operations of TWIPL
9 and Discovery Research, including supervising Defendant Praveen Chakravarty. I make this
10 Declaration upon personal knowledge and, if called upon to testify, could and would testify
11 competently hereto.

12 **A. TWP LLC And TWIPL.**

13 2. TWP LLC is an investment bank and broker-dealer organized under the laws of
14 Delaware and headquartered in San Francisco, California. TWP LLC is a wholly owned
15 subsidiary of TWP Group, a publicly traded investment bank holding company also
16 organized under the laws of Delaware and headquartered in San Francisco. TWP LLC is the
17 largest of several TWP Group subsidiaries, and is TWP Group's main broker-dealer. TWP
18 LLC provides strategic advisory and corporate finance services to U.S. and international
19 emerging growth companies, and equity research, trade execution and asset management
20 services to wealthy individuals and institutional investors. TWP LLC has offices in several
21 cities around the globe, including the branch office in Mumbai, India that was devastated by
22 Defendants' conduct.

23 3. TWIPL is an entity incorporated under the laws of India in August 2005.
24 Attached hereto as Exhibit A is a true and correct copy of TWIPL's certificate of
25 incorporation dated August 31, 2005.

26 4. TWIPL is wholly owned by TWP LLC, either directly or indirectly through a
27 Mauritius holding company, Thomas Weisel Partners (Mauritius).

28 5. TWIPL leased office space in Mumbai, India, and employed Indian nationals

1 who worked on several different initiatives, one of which was Discovery Research, which
 2 produced research reports on undercover companies whose stocks traded on U.S.
 3 exchanges. On October 14, 2005, the New York Stock Exchange ("NYSE") approved the
 4 TWIPL Mumbai office as a branch of TWP LLC. Attached hereto as Exhibit B is a true and
 5 correct copy of a screen shot of the NASD website showing TWIPL's Mumbai office as an
 6 NYSE-approved branch of TWP LLC.

7 6. TWIPL provided services to TWP LLC pursuant to an Intercompany Services
 8 Agreement ("ISA") with an effective date of September 30, 2005. The ISA provided that
 9 TWP LLC would pay TWIPL's operating expenses incurred in providing Discovery
 10 Research-related services to TWP LLC, plus 12 percent. Under the terms of the ISA, TWP
 11 LLC owned all intellectual property generated by Discovery Research in the course of
 12 providing services to TWP LLC, including research reports by Discovery Research analysts.
 13 Attached hereto as Exhibit C, and **filed under seal**, is a true and correct copy of the
 14 Intercompany Services Agreement.

15 **B. Discovery Research Was Part Of TWP LLC's Integrated Research Business
 16 Operated Out Of San Francisco, California.**

17 7. Until TWP Group was forced to close it, Discovery Research was by far the
 18 largest component of TWIPL, employing more than 50 people, including 14 U.S.-licensed
 19 research analysts who published research on approximately 150 different companies whose
 20 stocks trade on U.S. exchanges. The purpose of the Discovery Research business was to
 21 allow TWP LLC to distribute research reports on a broader range of United States
 22 companies than TWP LLC previously had been able to provide. By using Discovery
 23 Research analysts based in India to perform the analysis and writing of the research reports,
 24 TWP LLC was able to extend coverage to smaller companies that were not cost-effective for
 25 U.S.-based analysts to cover.

26 8. The Discovery Research analysts—who researched and authored the research
 27 reports that were Discovery Research's principal product—worked in Mumbai, but were
 28 functionally integrated into TWP LLC's larger research operations and subject to the same

1 regulation and oversight as San Francisco-based TWP LLC research analysts. Though
 2 directly employed by TWIPL, the Discovery Research analysts were registered with U.S.
 3 regulatory authorities (including FINRA, the NYSE and the State of California) as
 4 associated persons of TWP LLC. All Discovery Research employees had to comply with
 5 TWP LLC policies for research analysts.

6 9. Discovery Research was operated for the benefit of TWP LLC. As I noted above,
 7 pursuant to the ISA, TWIPL was paid its operating costs for Discovery Research, plus 12
 8 percent. TWP LLC earned revenue by selling subscriptions to Discovery Research reports.
 9 TWP LLC also directly benefited from Discovery Research's ability to broaden TWP LLC's
 10 research coverage universe in other ways. For example, TWP LLC made a market in the
 11 stocks of many of the companies covered by Discovery Research, and earned commission
 12 revenue when customers traded in those stocks.

13 10. TWP LLC's compliance department, headquartered in San Francisco, oversaw
 14 Discovery Research employees' compliance with applicable regulations and TWP LLC
 15 policies. San Francisco-based TWP LLC employees monitored and archived Discovery
 16 Research employees' emails, conducted compliance training for Discovery Research
 17 employees (via video conference or periodic visits to India), and periodically inspected
 18 TWIPL's Mumbai office. TWP LLC personnel based in San Francisco also monitored
 19 Discovery Research employees' trades to ensure they complied with TWP LLC policies and
 20 regulatory rules. One London-based TWP LLC compliance officer, whose work was
 21 overseen by management in San Francisco, assisted with some of these tasks.

22 11. TWP LLC was closely involved in Discovery Research coverage and ratings
 23 decisions, as well as in producing the research reports themselves. TWP LLC research
 24 managers based in San Francisco, in particular Keith Gay and Steve Buell, oversaw the
 25 strategic positioning of Discovery Research's product within the larger scheme of TWP
 26 LLC's research business. Decisions about coverage by Discovery Research analysts, as well
 27 as ratings or price target changes, were made by a seven-person Research Review and
 28 Oversight Committee ("RROC") that I was a member of and that was chaired by Gay, the

1 San Francisco-based Head of Research for TWP LLC. The majority of the RROC were
 2 U.S.-based TWP LLC employees, three of whom were based in San Francisco. Except for
 3 the membership of the committee, the RROC followed the exact same procedures as TWP
 4 LLC's research review and oversight committee for U.S.-based analysts. The RROC had to
 5 approve any ratings and/or price target changes that Discovery Research analysts proposed
 6 to include in their research reports.

7 12. Before publication of Discovery Research reports, the reports had to be approved
 8 by a Supervisory Analyst employed by TWP LLC in San Francisco to ensure compliance
 9 with regulatory requirements. Additional support was provided by Supervisory Analysts
 10 located in Baltimore and London. All formal research reports written by Discovery
 11 Research analysts were edited, first in Mumbai and then by TWP LLC personnel in San
 12 Francisco or London to ensure that the content and format met TWP LLC standards.

13 13. The Discovery Research analysts' reports were copyrighted by TWP LLC, used a
 14 TWP LLC stock rating system and, in many cases, stated that TWP LLC made a market in
 15 the subject security. Each Discovery Research report listed its author's name and contact
 16 information including a phone number in the San Francisco area code and an @tweisel.com
 17 email address. Attached hereto as Exhibit D are true and correct copies of five research
 18 reports authored by Discovery Research analysts. These reports are a representative sample
 19 of the reports prepared by Discovery Research analysts.

20 14. Discovery Research's operations were intertwined with, and overlapped, those of
 21 TWP LLC in numerous other ways. For example, TWP LLC's legal department, based in
 22 San Francisco and New York, handled TWIPL's legal affairs, including those related to
 23 Discovery research. TWP LLC personnel in San Francisco also handled some or all of
 24 TWIPL's other administrative functions in the areas of human resources, accounting, and
 25 facilities management.

26 **C. Defendant Chakravarty Was A TWP LLC Employee And The Director Of**
 27 **Discovery Research.**

28 15. Defendant Praveen Chakravarty was a Director of TWIPL and the head of

1 Discovery Research's Mumbai operation. Chakravarty was employed by TWP LLC and
2 registered with U.S. regulatory authorities (including FINRA, the NYSE and the State of
3 California) as an associated person of TWP LLC. I was Chakravarty's direct supervisor
4 once he came to Mumbai.

5 16. By virtue of his position as Director of Discovery Research, Chakravarty had
6 access to most if not all confidential information about Discovery Research. Using the
7 shared TWP LLC/TWIPL computer system, Chakravarty received and/or reviewed
8 documents showing employee compensation levels, current and projected profit and loss
9 statements, and other financial planning documents. Chakravarty was also intimately
10 involved with the research at the core of the Discovery Research business and, as a result,
11 had access to research reports, information about coverage decisions, contact information for
12 the companies the Discovery Research team covered, training materials, and knowledge
13 about the research analysts and associates themselves. Chakravarty also had access to
14 confidential customer information about subscribers to the Discovery Research service.

15 **D. BNPP Asia And Chakravarty's Illegal Raid On Discovery Research
16 Destroyed That Business And Harmed TWP LLC.**

17 17. On or about October 14, 2007, Chakravarty met at the Oberoi Hotel in Mumbai
18 with senior managers of Defendant BNP Paribas (Asia) Limited (BNP Paribas Asia) and
19 together they plotted a raid on Discovery Research's most qualified employees. I know this
20 because, when Discovery Research employees began resigning in droves in late October and
21 early November 2007, TWP LLC management asked the compliance department to search
22 through Chakravarty's recent emails for evidence of his involvement in the resignations and
23 they found an email from Jonathan Harris of BNP Paribas Asia to Chakravarty dated
24 October 15, 2007 describing the proposed raid and requesting that Chakravarty provide
25 Harris confidential information about the compensation and experience of Discovery
26 Research analysts. A true and correct copy of that email is attached hereto as Exhibit E.

27 18. Plaintiffs' counsel has provided me with a document—consisting of three
28 spreadsheets—that our forensic experts, KPMG, found as a password-encrypted file on

1 Chakravarty's firm-issued laptop. This document appears to contain the information Harris
 2 requested in his October 15, 2007 email, including Discovery Research employees' (1) 2007
 3 base and bonus compensation, (2) 2008 expected TWP base compensation, (3) sector
 4 coverage, (4) years of experience, (5) educational background and (6) 2008 "proposed" base
 5 and bonus compensation, including a signing bonus. The spreadsheet also contains salary
 6 and bonus information for Chakravarty and a "purchase price" analysis. Another worksheet
 7 in that same encrypted document contains a schedule for interviews with individual
 8 Discovery Research analysts on October 25 and 26, 2007, approximately ten days after
 9 Harris's October 15 email and just a few days before the analysts began to give notice. A
 10 third worksheet appears to contain a timeline for the defection of the Discovery Research
 11 analysts to BNP Paribas. Attached hereto as Exhibit F is true and correct copy of the
 12 document that was provided to me by counsel with the understanding that it had been found
 13 on Chakravarty's laptop.

14 19. Between October 31 and November 6, 2007, seventeen Discovery Research
 15 employees gave notice—including ten of Discovery Research's fourteen FINRA-licensed
 16 research analysts and seven research associates. Of the four remaining research analysts,
 17 three had only been licensed for a few months. Chakravarty also would have resigned if he
 18 had not first been terminated for cause on November 7, 2007, after we discovered the Harris
 19 email describing Chakravarty's conspiracy with BNP Paribas. In addition to the seventeen
 20 analysts who resigned, TWIPL's human resources generalist, Bijal Thakkar, who we later
 21 discovered had materially assisting Chakravarty, quit on November 7.

22 20. Chakravarty and the BNP Paribas Defendants' orchestration of the mass
 23 defection of key Discovery Research employees destroyed the Discovery Research business.
 24 Due to the simultaneous departure of most of its licensed analysts, Discovery Research could
 25 not produce timely research reports on many of the stocks it covered. Despite intensive
 26 focus over several weeks on rehabilitating the damaged business—including exploring
 27 efforts to quickly recruit, hire, train and license new research analysts—TWP LLC
 28 management, in consultation with me, concluded reluctantly that the loss of talent rendered

1 Discovery Research unable to provide the quality and scope of research coverage that TWP
2 LLC's subscription clients demanded (and had paid for). As a result, on December 6,
3 2007, TWP Group announced that Defendants' actions had forced the shutdown of
4 Discovery Research. The closure of Discovery Research damaged TWP LLC irreparably,
5 including by depriving TWP LLC of current and future revenue from the sale of
6 subscriptions and from trading in stocks covered by Discovery Research.

7 21. In May 2008, TWIPL closed down the part of its operations that did convertible
8 bond research for TWP LLC. TWIPL continues to provide limited support for TWP's India
9 Fund of Funds.

10 **E. BNP Paribas Is Using The Stolen Discovery Research Employees In A New
11 India Research Venture.**

12 22. I am informed and believe that BNP Paribas, acting through BNP Paribas
13 Securities (Asia) Limited, created a Mumbai-based research team, comprised almost entirely
14 of former Discovery Research employees, to investigate and analyze the stocks of Indian
15 public companies. I recently obtained a March 13, 2008 research report authored by one of
16 the former Discovery Research analysts, Vijay Sarathi. (An investor that I work with gave
17 the report to me; he said he came across it while performing due diligence on the Indian
18 financial services sector). The report lists Sarathi's employer as "BNP Paribas India
19 Solutions Pvt Ltd" ("BNPP India") which is described as a "member company of the BNP
20 Paribas Group." The report lists twenty-one members of BNPP India's "India Research
21 Team." Every single person listed as a member of the team was formerly part of Discovery
22 Research—Chakravarty, the seventeen research analysts and associates who left Discovery
23 Research *en masse* between October 31 and November 6, and three other Discovery
24 Research research associates who left subsequently. Attached hereto as Exhibit G is a true
25 and correct copy of the May 13, 2008 BNPP India research report authored by Vijay Sarathi.
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27
28

1 23. I am also informed and believe that three former Discovery Research
2 administrative employees—Bijal Thakkar, Neelima Mane and Roshan Shetty—have also
3 moved to Chakravarty's new venture.

4 I declare under penalty of perjury under the laws of the United States of America that
5 the foregoing is true and correct.

Executed this 26 day of June 2008 at New Delhi.

K. Miller

**HOWARD
RICE
NEMEROVSKI
CANADY
FALK
& RABKIN**